



CENTRAL INTELLIGENCE AGENCY

WASHINGTON 25, D. C.

OFFICE OF THE DEPUTY DIRECTOR (INTELLIGENCE)

12 March 1960

Honorable Chester Bowles
House of Representatives
Washington 25, D. C.

Dear Chat,

25X1A You will recall that in your meeting last week with two of our people -- [REDACTED] -- you requested their views on an article you wrote last year for the Saturday Evening Post entitled, "A Long Look at Communist China". I am enclosing their comments which indicate that we would not view Communist China's economic difficulties quite as seriously as you presented them. However, it is their general conclusion, which I share, that your article was well reasoned and very clearly presented.

Sincerely,

[REDACTED]

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Robert Amory, Jr.

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Comments on Certain Economic Conclusions of an Article by Chester Bowles

"A Long Look at China"

This article states (page 107) that:

"...The Chinese Communist face appalling problems which are now testing their political and economic theories under the most difficult conceivable conditions.

If the Peking government goes through with its plans for rapid industrialization on the Soviet model it may place an impossible burden on the rural Chinese economy which must feed 650,000,000 people and provide 'surplus' agricultural products to help pay for critically needed imports."

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An evaluation of this statement must recognize that Communist China has built up its economic strength to the point where major setbacks in any one sector of the economy will not mean the abandonment of Communist economic and political objectives but rather a temporary reduction in the rate of industrial growth. It is roughly calculated that industrial production has grown at an average annual rate of about 20 percent in the first decade of Communist rule and that this rate over the next decade will slowly be reduced to about 10 percent -- approximately the rate of Soviet industrial progress. There are fundamental reasons for holding to this prediction of very rapid growth:

- (a) Over a quarter of the total output of Communist China is being plowed back into the building of productive capacity and this proportion may very well continue to rise;
- (b) Industrial equipment and processes are being supplied by the USSR and constitute an effective "cutting edge" in Communist China's rapid advance toward mastery of complex industrial techniques;
- (c) Under China's "command economy" there is an enforced will and a driving energy to succeed, which are demonstrated by vigorous implementation of economic plans, incredibly hard work by people at all levels, mass training to provide the necessary engineers and skilled workers, and a national pride in the success already achieved;
- (d) Finally there are tremendous natural resources available, resources which are being exploited for the first time on a national scale.

In foreign trade, Communist China has been operating thus far on a pay-as-you-go basis -- an indication of reserve economic strength. Moreover, it is estimated that improvement in flood control, irrigation, fertilization, and general agricultural techniques will enable agricultural output to advance at the rate of approximately 3 percent per year over

the next decade. While occasional problems in agriculture could temporarily retard the rapid growth of the economy and could cause other difficulties as well, it is not believed -- in view of the general strength of the economy -- that such developments would present unmanageable economic problems or that they would cause a major change in Communist China's basic objectives.

The absolute size of Communist China's population is not the critical barrier to economic progress. Rather it is the population increase, amounting to approximately 2-1/2 percent or 17,000,000 people per year, a rate not far below the estimated rate of growth in agriculture. The power of the central regime is possibly great enough to enforce a rigorous birth control program, but at present the regime professes to regard the increase in China's population as an economic strength. In any case China's growing industrial strength will make the pressure of population on land a less and less serious threat in that: increased domestic resources will be available for transfer to the agricultural sector; and an increased volume of manufactures will be available for export to southeast Asia in return for food.

The foregoing evaluation does not contradict Mr. Bowles' article but suggests that the prospects for Communist China's economy are not as dim nor are its economic problems as formidable as the tone of his article suggests.

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Next 1 Page(s) In Document Exempt

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